

**AUDITED
Financial Statements**

For the year ending

30 June 2006

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GENERAL INFORMATION

MEMBERS OF THE COUNCIL

Mayor/Speaker : Councillor C.T Khumalo

Councillors :
G.J. Mthethwa
F.Z. Nkwayanya
M.H. Mkhize
K.C. Mcambil
N.A. Mtshali
P.M. Mdliqo

Retired Councillors :
C. Moodley (Mayor)
C.T. Khumalo
B.O. Nsukwana
Z. Ndlovu
F. Zulu
N.H. Zikhali
S. Gumbi

GRADING OF THE LOCAL AUTHORITY

Grade 1

AUDITORS

Auditor - General: Durban

BANKERS

First National Bank of South Africa Limited, Main Street, Hluhluwe

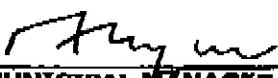
REGISTERED OFFICE

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Hluhluwe
3960

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Hluhluwe
3960

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The annual financial statements set out on pages to were approved by the Municipal Manager on 31 August 2006 and will be presented to the Council on 28 September 2006


MUNICIPAL MANAGER
MA MNGADI


CHIEF FINANCE OFFICER
NM NEL

MAYOR'S FORWARD

The year under review was demanding and stressful for the Councillors and officials of The Big 5 False Bay Municipality as the timetable for the Integrated Development Plan and the Budget preparation process had to be revised to cater for the municipal elections that took place during March 2006. The implementing of the IDP will remain a serious challenge for our municipality as finance and human resources remain a major problem.

In addition, the deadlines for certain parts of the implementation of the Municipal Finance Management Act were introduced during the year and with the limited human resources that we face it created a strain on the existing officials. The capital budget was limited to local development projects which were funded from revenue. Each ward received R 50 000.00. The Municipal Infrastructure Grant was not allocated to this municipality this year which effected a much needed service delivery in the area.

The function of water and sewerage was handed over to the district municipality during the year. Even though this took place we provided a water tanker as well as a number of JoJo water tanks to the community who were in desperate need of water due to the continuing drought experienced in the area.

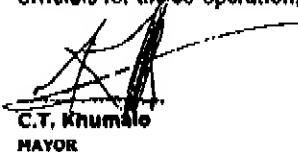
We took preventative measures of a disaster from occurring at the sewerage ponds. With all the flash rain that was received the sewerage ponds overflowed. We immediately reported that matter to the district municipality and had a service provider undertake a feasibility study to determine the extent of the damage and to recommend remedial action.

The municipal elections took place on 01 March 2006 and we noted a radical change in the election of Councillors. The new members of the council are:-

Mayor Councillor C.T. Khumalo (IFP)
Councillor G.J. Mthethwa (IFP)
Councillor F.Z. Nkwanyana (IFP)
Councillor M.H. Mkhize (ANC)
Councillor K.C. Mcambi (IFP)
Councillor M.A. Mtshali (ANC)
Councillor P.M. Mdululi (IFP)

The new councillors received training during April 2006 on local government issues which was undertaken by Salga. Continued training will be given to Councillors to ensure that knowledge and skills are transferred quickly to tackle the challenges of service delivery in local government.

I like to take this opportunity to thank the community, fellow Councillors, the district municipality and officials for the co-operation, patience and good governance during the year.



C.T. Khumalo
MAYOR

CHIEF FINANCIAL OFFICER REPORT**1.1 INTRODUCTION**

These Financial Statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Financial Officers in its Code of Practice (1992) and the Report on the Standardisation of Financial Statements of Local Authorities (4th Edition), as amended.

These statements for the year ending 30 June 2006 are to the best of my knowledge a fair presentation of the Council as at the above date and the results of its operation for the year then ended.

During the year the water and sewerage functions were handed over to the district municipality. Hand over of account balances regarding these services were handed over to the UDM in December 2005. This process was to have been done as at July 2005, however was only handed over in December. The budget therefore does not provide for revenue from these services as can be seen in appendix D of the financials.

The municipality did not receive a MIG grant and as a result was limited to capital infrastructure undertaken and service delivery. The loans inherited from the defunct Umsekelo Municipal Services are in the process of being submitted to the Minister for consideration to write-off. No payments have been made.

The Phumlani low cost housing project is still not resolved. The Housing department has not engaged the municipality in the project and therefore certain entries recorded on the financials remain unresolved. This includes the Umsekelo Capital underfunding of R 606 902.00 and subsidies received in advance of R 1 160 283.00 against these loans.

The outstanding consumer debtors have been reduced from R 4 443 271 (2005) to R 3 734 679 (2006). The reduction is mainly attributed to the collection of outstanding rates and services from state departments and the write-off of R 1 679 087 from the low cost housing debtors of Phumlani. The Mayor and the Councillor responsible for this area have informed the community of the write-off, provided commitment is made to start paying for rates and services by the residents. A request was made at the same time, that those not able to pay for rates and services, follow the necessary route by applying for indigent relief.

The resolution for the write off of Phumlani debtor accounts was done towards the end of the financial year and this amount was not anticipated at the start or revision period of preparing the 2005/2006 budget. Amounts written off on these accounts relating to prior years, have been allocated to bad debts (R1373977.88). In addition, an amount of R216100.00 was written off to bad debts regarding a debtor balance of Phumlani -(a take on balance with the dissolution of the former Umsekelo)- which is considered irrecoverable.

The net results for the financial year excluding this write off amounted to: R 327 267.00 surplus.

Bad debts: R3 534 983.00

Additional appropriations amounted to: R69 905.92

As at 30 June 2006, the accumulated deficit now amounts to -R2 384 216.05

2) OPERATING RESULTS

Details of the results per department, classification and object of expenditure are included in appendices D and E. The applicable statistics are shown in appendix F. The overall operating results for the year ended 30 June 2006 are as follows:

INCOME	Actual 2004/05 R	Actual 2005/06 R	Variance Actual/ Budget %	Budget 2005 R	Variance Actual/ Budget %
Opening Surplus	693,838	753,592			
Operating Income for the year	6,108,601	7,915,280	30%	13,472,450	-41%
Sundry Transfers	(17,494)	69,905			
	6,784,945	8,738,777		13,472,450	
EXPENDITURE					
Opening Deficit					
Operating Expenditure	6,031,353	11,122,995	46%	13,472,450	-17%
Closing Surplus(deficit)	753,592	(2,384,218)			
	6,784,945	8,738,777		13,472,450	

3) CAPITAL EXPENDITURE AND FINANCING

CAPITAL EXPENDITURE	Actual 2005/06	Budget 2005/06	Actual 2004/05
Rates & General services			
Water	167,566	390,000	781,011 8,510
	167,566	390,000	789,521
FINANCING OF THE FIXED ASSETS			
Loans Redeemed			
Contributions from Current Income			
Grants and Subsidies	167,566	390,000	196,343 593,178
	167,566	390,000	789,521

A complete analysis of capital expenditure (budgeted and actual) per department, classification or service is included in appendix C. More details regarding external loans and internal advances used to finance fixed assets are shown in appendix B.

4) EXTERNAL LOANS, INVESTMENTS AND CASH

External Loans outstanding on 30 June 2006 amounted to R 4 082 412 as set out in appendix B. No loans were repaid during the current year.

Investments amounted to R 8 403 149 on 30 June 2006.

The bank balance amounted to R 27 695 as at 30 June 2006.

More information regarding loans and investments is disclosed in notes 4 and 7 and appendix B to the financial statements.

5) FUNDS AND RESERVES

The Capital Development Fund has increased from R 725 446 to R 1 012 415. No advances were made. Contribution of R 240 000 was made and interest earned R 162 545.

More information regarding funds and reserves is disclosed in notes 1 to 3, 26 and appendix A to the financial statements.

6) DISCLOSURES

Refer to Section 124 and 125 of the Municipal Finance Act, 2003. No monies were owing by Councillors to the Municipality.

A register has been introduced to record 3rd party transactions, which is maintained by the Municipal Manager's Personal Secretary.

The Cashier was charged for the theft of funds which disappeared in the 2004/2005 financial year. The disciplinary hearing resulted in the cashier being dismissed and the outstanding cash was recovered.

EXPRESSION OF APPRECIATION

I am grateful to the Mayor, Councillor's, the Municipal Manager and Head of Departments for their support during the past year. A special word of thanks to the staff of the Treasury and Budget Office for their support and loyalty.



CHIEF FINANCIAL OFFICER

DATE: 31 August 2006

ACCOUNTING POLICIES

1. Basis of Presentation

1.1 These financial statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Treasurers and Accountants in its Code of Practice (1992) and the Report on the Standardization of Financial Statements of Local Authorities (4th Edition, as amended).

1.2 The financial statements are prepared on the historical cost basis, adjusted for capital expenditure as more fully detailed in paragraph three below.

1.3 The financial statements are prepared on the accrual basis :

- Income is accrued when collectable and measurable. Certain direct income is accrued when received, such as traffic fines and certain licences.

Expenditure is accrued in the year it is incurred.

2. Consolidation

The balance sheet includes General Services, and the various funds, reserves and provisions.

3. Fixed Assets

3.1 Fixed Assets are stated :

- at historical cost, or
- at value on (based on the market price at the date of acquisition), where assets have been acquired by grant or donation.
- while in existence or fit for use.

3.2 Depreciation

Fixed Assets are not depreciated although the amount of "Loans Redeemed and Other Capital Receipts" in the notes to the balance sheet is tantamount to a provision for depreciation.

3.3 All net proceeds from the sale of vacant fixed property are credited to the Public Improvement Fund. Net proceeds from the sale of all other assets are credited to the Capital Development Fund.

3.4 Capital assets are financed from different sources, including external loans, operating income, endowments and internal advances. These loans and advances are repaid within the estimated life of the assets acquired from such loans or advances. Interest is charged to the service at the ruling interest rate applicable at the time that the advance is made.

3.5 Capital equipment acquired by way of finance lease is brought into the accounting records as fixed assets which have been financed by long-term liabilities.

3.6 Assets are written off with the express and prior approval of the Council only.

4. Funds and Reserves**4.1 Capital Development Fund**

The Natal Ordinance No. 25 of 1974, Section 103(9), requires a minimum contribution of 3 per centum of the defined income of a municipality, in this case rounded off to the nearest ten Rand. The Fund is used to finance capital expenditure, and the surplus funds are invested.

4.2 Public Improvement Fund

The Public Improvement Fund provides funding for future township development. All development costs as defined in Section 103 (3)(d) of the Local Government Ordinance, Natal, No.25 of 1974, are debited against the fund. All proceeds from the sale of developed land are credited as income for the fund. The Fund is used to finance capital expenditure, and the surplus funds are invested. There is, however, a proviso as to what type of asset may be funded from this Fund.

4.3 Working Capital

Appropriations are made as and when required from operating expenditure to the working capital account.

4.4 Establishment Grant

The Establishment Grant is a conditional Grant received from the Department of Local Government allocated to assist in the Establishment of this Municipality. This grant was utilised to fund the purchases of Computer Equipment and Furniture and Fitings for the newly-built municipal offices.

4.5 IDP Grant

The Integrated Development Grant is a conditional Grant received from the Department of Local Government and housing allocated to assist in the development of the municipal area by establishing the delivery of free basic services.

4.6 Transitional Grant

The Transitional Grant is a conditional Grant received from the Department of Local Government allocated to assist in the Establishment of this Municipality. This grant is utilised to fund the capital expenditure involved in building the new Municipal buildings and the purchase of Computer Equipment and systems.

4.7 Equitable Share

The Equitable Share is funds received from the Department of Local Government allocated to assist in the funding of the operating expenditure and to subsidise a portion of the delivery of free basic services.

4.8 Panel Support Grant

The Panel Support Grant is a conditional Grant received from the Department of Local Government allocated to assist in funding Capacity building.

4.9 Tax Base Relief Grant

This grant is unconditional and is a 'once off' grant.

4.10 Umkhanyakude District Grant

This grant was given for the introduction of a Performance Management System

4.11 Municipal Capacity Support Grant

This grant is for the appointment of a Development Practitioner to assist with the promotion of orderly and sustainable development, to process Land Development applications, To co-ordinate comment i.r.o Permission to Occupy and Sandwinning applications and Development Facilitation Act applications. Further, to provide advice, input and comment on legislation, policies and masters relating to land development, including internal and external capacity building. This grant also provides for the purchase of a vehicle for the incumbent

4.12 Performance Management Grant

This grant will be for the implementation of a Performance Management System in the municipality.

4.13. Land Use Management Grant

This grant together with the GIS grant will be used for the establishment of a Geographic information system, including Hardware/Software acquisition, systems set-up, configuration, data acquisition, training, testing and commissioning of system.

4.14. Library Grant

This grant was given by Library Services for an extension to the present Library. This extension is mainly for students who need a quiet place to study, which permits access to the Library reference section. There is a project by the Department of Education for partition off part of the new extension and implement a computer training facility.

4.15. GIS Grant

see 4.13 above.

5. Investments

Investments are shown at cost and are in securities prescribed in Section 125 of Natal ordinance No. 25 of 1974. They are considered to be risk-free.

Investments are shown at the lower of cost or market value if a permanent decline in the value occurred, and are invested in securities as prescribed by section 125 of the Local Authorities Ordinance, 1974 (Ordinance No. 25 of 1974) and section 10G(9) of the Local Government Transition Act, 1993 (Act No. 209 of 1993).

6. Retirement Benefits

All employees, with the exception of the Contract employees, contribute to the Natal Joint Municipal Pension Funds. A full actuarial valuation is conducted by the funds actuaries every three years. These funds are presently in a stable financial position. An interim valuation was conducted as at 31 March 2004. The last full valuation was in March 2002. The retirement benefit plan is subject to the rules and regulations prescribed by the Local Government Superannuation Ordinance, 1973 (Ordinance No. 24 of 1973) and in accordance with the requirements of the Pensions Fund Act, 1956. Current contributions are charged against operating income on the basis of current service costs. Councillors may join the Councillors Pension Fund, which is managed in accordance with the Pensions Fund Act, 1956.

7. Provisions

7.1 Certain provisions and reserves have been established where required, or considered necessary, and these include -

Bad Debts Provision - provision for bad debts is made when the recovery of debt appears doubtful.
Leave Pay Provision - provision for leave is the value of all leave due and payable to employees as at 30 June of each year.

8. Income Recognition

8.1 Assessment rates are levied on land and buildings and are billed both monthly and annually.

8.2 Services are billed monthly. Any other income is by direct payment prior to service being rendered.

BALANCE SHEET
as at 30 June 2006

	Notes	30-Jun-06	30-Jun-05
CAPITAL EMPLOYED			
FUNDS & RESERVES		5,379,767	7,798,107
Statutory Funds	1)	3,503,885	3,101,097
Reserves	2)	1,660,883	4,482,010
Trust funds	3)	215,000	215,000
RETAINED INCOME	16)	(2,384,216)	753,594
LONG TERM LIABILITIES	4)	7,781,386	3,470,417
		<u>10,776,937</u>	<u>12,022,117</u>
EMPLOYMENT OF CAPITAL			
FIXED ASSETS	App.C	3,741,765	3,741,765
LONG TERM DEBTORS	7)	16,721	49,437
NET CURRENT ASSETS/LIABILITIES		7,018,451	8,230,916
CURRENT ASSETS		10,875,491	12,049,019
CURRENT LIABILITIES		(3,857,040)	(3,818,103)
		<u>10,776,937</u>	<u>12,022,117</u>

INCOME STATEMENT
for the year ended : 30 June 2006

2004/2005	2004/2005	2004/2005	2005/2006	2005/2006	2005/2006	2005/2006
Actual Income	Expenditure	Actual Surplus/Deficit	Actual Income	Expenditure	Actual Surplus/Deficit	Budget Surplus /deficit
6,108,601	6,031,353	77,248	RATES & GENERAL SERVICES	7,769,645	11,121,995	(3,953,351)
5,876,085	5,770,429	105,656	Community Services	7,509,977	10,617,785	(3,107,808)
11,675	136,160	(124,485)	Subsidised services	4,275	157,748	(153,473)
220,841	124,764	96,077	Economic Services	255,392	347,462	(92,070)
						(13,300)
			TRADING SERVICES	145,635	145,635	
			Water	37,731	37,731	
			Sewerage	107,905	107,905	
6,108,601	6,031,353	77,248	TOTAL	7,915,380	11,122,995	(3,202,716)
			(17,494) Appropriation for this year (refer note 16)			69,305
			59,754 Net surplu/(deficit) for the year			(3,137,810)
			Accumulated Surplus/(Deficit) 693,840 beginning of the year			753,594
			ACCUMULATED SURPLUS 753,594 (DEFICIT) END OF YEAR			(2,384,216)

CASH FLOW STATEMENT
for the year ended : 30 June 2006

	Note	2006	2005
CASH GENERATED (UTILISED) IN OPERATING ACTIVITIES		R (2,721,954)	R 1,974,269
Cash (utilised) by operations	17	(4,346,300)	616,819
Investment income		372,682	294,903
(Decrease)/Increase in working capital	18	4,406,167	(1,771,846)
		432,550	(860,124)
Less: External Interest Paid	15	(183,377)	(218,638)
<i>Cash generated/(utilised) in operations</i>		349,173	(1,078,762)
Cash contributions from the public and the state	19.2	(2,971,127)	3,053,031
Net proceeds on disposal of fixed assets			
CASH UTILISED IN INVESTING ACTIVITIES	17	(167,566)	(781,012)
Investments in fixed assets	5	(167,566)	(781,012)
NET CASH INFLOW/(OUTFLOW)		(2,889,520)	1,193,257
CASH EFFECTS OF FINANCING ACTIVITIES			
Increase/(Decrease) in Long-term loans	19.1	6,030,504	218,638
(Increase)Decrease in Investments	21	(3,317,830)	(1,374,554)
(Increase)/Decrease in cash and cash equivalents	22	176,846	(37,341)
NET CASH (UTILISED) GENERATED		2,889,520	(1,193,257)

NOTES TO THE FINANCIAL STATEMENTS

as at 30 June 2006

1) Accumulated Funds

	2005/2006	2004/2005
Public Improvement Fund	2,491,399	2,375,651
Capital Development Fund	1,013,486	725,446
	3,503,885	3,101,097

(Refer to appendix A for more details)

2) Reserves

	2005/2006	2004/2005
TDP Grant	429,425	285,814
Equitable share	1,215,910	1,159,420
Panel support		396,435
Municipal Capacity Support Grant	324,708	318,081
Performance Management Grant	109,897	123,853
Land Use Management Grant	50,000	-
Library Grant	-	85,535
GIS Grant	296,929	524,594
Working Capital Reserve	444,973	274,300
MAP	643,869	909,413
SDL		
Develop Admin Capacity	104,672	100,000
Finance management	286,744	291,783
Local aids council	29,250	
Spatial dev malause	200,000	
Community Dev Worker	6,492	
MSIG	585,188	
mun vel roll/property rates	170,000	
MFMA	100,000	
Project consolidate	80,730	
Municipal capacity grant	413,731	
Cls dev support grant	200,000	

(Refer to appendix A for more details)

Unconditional grants (Balanced figures) disclosed under Liabilities Reserves

2005/2006

2004/2005

2,491,399

2,375,651

1,013,486

725,446

3,503,885**3,101,097**

3) Trust Funds

Eldest son: P Mitchell

215,000

215,000

4) Long Term Liabilities

	2005/2006	2004/2005
Annuity Loans	3,911,630	3,692,991
Transfer of Umkhanyakude portion to Umkhanyakude loan account	183,377	218,639
Add: Interest	4,162,855	
	8,257,862	3,911,630

Less: Short term portion transferred to Current Liabilities

476,477

441,214

7,781,385

3,470,416

Long term Liabilities
(Refer to appendix A for unconditional grants which form part of balance)

(Refer to appendix B for more details on Long Term Liabilities)

ANNUITY LOANS

These loans are unsecured and are held with Umseleki Municipal Support Services. No payments have been made on this loan for 3 years due to lack of funds. Therefore, the value of the loans is increasing by the interest which is accruing on the loan. Annuity loans bear interest at rates of between 10% and 13% per annum and should be redeemed in 2011.

NOTES TO THE FINANCIAL STATEMENTS

as at 30 June 2006

Notes continuing
5) Fixed Assets

Fixed assets at the beginning of the year
 Capital Expenditure during the year
 Less: Assets written off, transferred or disposed of during the year
 Transfer of Umkhanyekude portion to Umkhanyekude loan a/c
 Total Fixed Assets
 Less: Loans redeemed and Other Capital Receipts
 Net Fixed Assets

2005/2006	2004/2005
17,062,016	18,281,005
167,560	789,521
-	(8,510)
17,229,342	17,062,016
13,487,817	13,320,251
3,741,765	3,741,765

(Refer to Appendix C for more detail)

6) Investments

Unlisted:
 Cell accounts

8,403,655	3,085,825
8,403,655	3,085,825

Management Valuations of Unlisted Investments

8,403,655

Average Rate of Return on Investments

Funds are invested according to section 10C(9)(a) of the Local Government Transitional Act, Second Amendment Act, 1996(Act 97 of 1996)

No investments were written off during the year.

7) Long Term Debtors

Staff Car loans at the beginning of the year
 Add: Interest capitalised for the year
 Adjustment: prior period
 Add: New loans
 Less: Paid during the year
 Less: Short term portion of long-term debtors transferred to current assets

124,617	221,148
5,055	14,280
-	(17,494)
130,672	93,316
10,107	73,780
10,721	49,438

NOTES TO THE FINANCIAL STATEMENTS

as at 30 June 2006

6) **Debtors**

Debtors
 Umkhanyekude
 Phumland
 Deposits
 Sundry debtors
 Accrued Interest
 Umzakeli Capital Underfunding
 DPSC
 Other
 Hibiscus
 Umhlabuyelingane
 Nongoma

Tot of Pmts from previous years
 Prior Year Adjustments
 Vat Input
 Vat Output
 Vat Paid Over
 Bonitas Medical Aid
 Councillors Pension Fund
 Bargaining council
 Payroll

	2005/2006	2004/2005
Debtors	1,734,679	1,679,088
Umkhanyekude	369,104	2,301,472
Phumland		2,161,003
Deposits	31,617	9,629
Sundry debtors		
Accrued Interest	7,098	11,338
Umzakeli Capital Underfunding	697,992	676,987
DPSC	5,075	
Other	1,760	
Hibiscus	1,310	
Umhlabuyelingane	3,080	
Nongoma	760	
Tot of Pmts from previous years		62,993
Prior Year Adjustments		252,357
Vat Input		
Vat Output	73,850	
Vat Paid Over		340,473
Bonitas Medical Aid	752,223	
Councillors Pension Fund		
Bargaining council		22,583
Payroll	8,692	
Total:	3,687,370	7,944,040
Less:	1,253,845	1,261,077
Less:	3,433,525	6,682,783

* The amounts receivable in respect of the Phumland Housing Project are still to be finalised and reconciled with the Department of Housing.

7) **Provisions**

Leave Gratuity
 Bad Debts
 Less: Provision for doubtful debts transferred to Debtors (Note 6)

	2005/2006	2004/2005
Leave Gratuity	86,898	134,931
Bad Debts	1,253,845	1,261,077
Total:	1,340,743	1,396,008
Less:	1,253,845	1,261,077
Less:	86,898	134,931

8) **Creditors**

Other trade creditors etc.
 Umzakeli Municipal Support Services Unallocated receipts

Other trade creditors etc.	518,064	403,568
Umzakeli Municipal Support Services Unallocated receipts	1,615,318	1,615,318
Housing subsidies received in advance	3,160,283	2,790
Total:	3,293,665	1,100,243
Less:	3,293,665	3,241,959

* The housing subsidies in advance is still a matter pending with the Department of Housing and the final reconciliation of the Phumland Housing Project.

NOTES TO THE FINANCIAL STATEMENTS

as at 30 June 2006

13) Bank and cash

Main bank account
Cash on hand

	2005/2006	2004/2005
Main bank account	27,695	204,949
Cash on hand	508	600

28,203 **205,049**

14) Assessment rates

Site valuations as at 1 July 2005

	LAND	IMPROVEM	
Residential	3860000	19764400	983,997
Commercial	1950500	13879500	458,508
Government	719100	4381700	179,506
Municipal	366000	936700	
Other	137500	1140000	1,998
			1,327,481
Land		7153600	
Buildings		40192300	1,013,172

Valuations on land and buildings are performed every 3 years and the last general valuation came into effect in 1 July 2005. The basic rate was 22.49c per rand on land and 1.93c per rand on buildings. Rebates granted were 20% on Government, 10% on Domestic and 50% on Agricultural properties. Non-profit organisations e.g. churches are exempt from rates.

Phumulani debtors accounts have been written off and this affected the rates raised.

15) Councillor's Remuneration

Mayor's Allowance:
Deputy Mayor's Allowance:
Councillors:
Executive Committee:
Standing Committee:
Local Municipality Attendance:
Speaker Allowance/Medical Aid Contributions:
Pension fund contributions:
Use of personal facilities

76,332	75,072
65,925	88,335
	164,329
21,154	18,170
163,411	346,306

16) Auditor's Remuneration

Audit Fees:
Balance prior year:
Prior year

379,448	
	276,374
379,448	276,374

17) Finance Transactions

Total external interest earned or paid:
Interest earned

372,682	329,191
183,377	218,639

Capital Charges debited to operating account:
Interest:

183,377	218,639
183,377	218,639

External

Internal

Redemption:

External

Internal

NOTES TO THE FINANCIAL STATEMENTS

as at 30 June 2006

16) Appropriations

Appropriation account

Accumulated surplus at the beginning of the year
 Operating deficit for the year
 Appropriation for the year
 Prior year adjustments
 Prior year transfer to Umkhanyakude
 Accumulated surplus (deficit) at the end of the year

	2005/2006	2004/2005
Accumulated surplus at the beginning of the year	753,592	693,838
Operating deficit for the year	(3,207,716)	77,248
Appropriation for the year	69,905	(17,494)
Prior year adjustments	69,905	(17,494)
Prior year transfer to Umkhanyakude		
Accumulated surplus (deficit) at the end of the year	(2,384,218)	753,592

Operating account

Capital expenditure
 Contributions to:
 Capital development fund
 Reserves
 Doubtful debts
 Leave pay
 Working capital reserve

	2005/2006	2004/2005
Capital expenditure	167,566	50,834
Contributions to:	197,878	873,572
Capital development fund	240,000	44,486
Reserves		
Doubtful debts		483,947
Leave pay	102,878	145,139
Working capital reserve	150,000	150,000
	660,444	874,406

17) Cash/(utilised)generated by operations

Surplus/(deficit) for the year

Adjustments for:

Previous year's operating transactions

	2005/2006	2004/2005
Surplus/(deficit) for the year	(3,207,716)	77,248
Adjustments for:		
Previous year's operating transactions	69,905	(17,494)
	660,444	874,406
Appropriations charged against Income:		
Capital development fund	240,000	44,486
Working capital reserve	150,000	150,000
Provisions	102,878	629,000
Capital Outlay	167,566	50,834
	183,377	218,639
Capital Charges		
Interest paid	183,377	218,639
To internal fund		
On external loans	183,377	218,639
Redemption		
On internal advance		
On external loans		
Investment Income charged to operating account		
Non operating income		(25,153)
Grants		(4,245,331)
Credited to Funds, Provisions and Reserves		(4,025,770)
		380,189
Non operating expenditure	(2,052,310)	333,871
Debited to Funds	(81,850)	
Debited to Provisions and Reserves	(1,970,660)	333,871
Amount to Cash/flow Statement	(4,346,300)	(3,651,726)

NOTES TO THE FINANCIAL STATEMENTS

£'s as at 30 June 2006

18) (Decrease)/Increase in Working Capital

2005/2006

2004/2005

Decrease/(Increase) in deposits
 (Increase)/Decrease in Debtors
 Decrease/(Increase) in Long Term Debtors
 (Decrease)/Increase in Creditors

Amount To Cashflow Statement

4,256,971
 97,789
 51,707
 4,406,167

(1,994,794)
 96,330
 126,118
 (1,771,846)

19) Increase/(Decrease) in Long Term Liabilities

19.1 Loans raised (long term portion & short term portion)
 Interest on loans
 Loans repaid

Amount To Cashflow Statement

6,030,504
 218,638
 6,030,504

218,638
 218,638

19.2 Cash contributions from the public and the state
 Decrease in reserves
 Contributions to working capital

(2,971,127)
 (2,821,127)
 (150,000)

20) (Decrease)/Increase in Short term borrowings comprise

Loans raised
 Loans repaid

Amount To Cashflow Statement

21) (Increase) in cash investments comprise:

Investments raised
 Investments made

5,876,922
 (2,559,093)
 (3,317,830)

5,420,000
 (6,794,554)
 (1,374,554)

22) (Decrease) in Cash and Cash Equivalents

Balance at beginning of year
 Balance at end of year

203,049
 78,203
 175,846

167,708
 205,049
 (37,341)

23) Contingent Liabilities and Contractual Obligations

There are no contingent liabilities as at 30 June 2006
 Confirmed : CFQ

524,115
 524,115

24) Capital Commitments

Chief Financial Officer confirms that there are no capital commitments as at 30 June 2006

NOTES TO THE FINANCIAL STATEMENTS

as at 30 June 2006

25) Retirement Benefits

The personnel are members of the Netaf Joint Municipal Pension Fund. The last actual valuation was on 31 March 2002. An interim valuation is carried out at the end of each year, the last one being 31 March 2004.

26) Capital Development Fund

Less:	Accumulated Funds
	External investments
	Outstanding advances to borrowing services

	2005/2006	2004/2005
	1,012,415 (1,012,415)	725,416 (725,446)

(refer to Appendix A 8 & 9 for more detail)

27) Public Improvement Fund

Less:	Accumulated Funds
	Loans outstanding to Umsebenzi Municipal Support Services
	External investments
	Value of assets
	Land
	Roads and Streets
	Electrical Infrastructure
	Outstanding advances to borrowing services

	2005/2006	2004/2005
	2,491,227	4,375,631
	444,017	451,432
	1,723,416	1,595,247
	1,231,836	1,231,836
	130,966	130,966
	709,731	709,731
	91,139	91,139

(refer to Appendix A 8 & 9 for more detail)

28) Managers Salaries & Allowances

Municipal Manager	459,375
Gross	366,300
Travel Allowance	60,000
Cell Allowance	-
Leave	93,075
Bonus	-
 CFO	449,496
Gross	330,600
Travel Allowance	60,000
Cell Allowance	6,000
Leave	18,196
Bonus	34,697
 Corporate Manager(6 months only)	180,000
Gross	108,000
Travel Allowance	72,000
Cell Allowance	-
Leave	-
Bonus	-

	2005/2006
	25,000
	20,000
	5,000
	-

APPENDIX A
ACCUMULATED FUNDS, TRUST FUNDS, RESERVES AND PROVISION
 as at 30 June 2006

	Balance at 30-06-2005	Contribution during the year	Interest on Investment	Other Income	Expenditure during the year	Trans to Revenue	Balance at 30-06-2006
ACCUMULATED FUNDS							
Public Improvement Fund	2,375,651		115,748				2491399
Capital Development fund	725,446	240,000	47,039				1012486
Total	3,101,097	240,000	162,787				3503883
RESERVES							
Working Capital Reserve	274,300	150,000	20,673				444973
Assets Financing Fund							0
Equitable Share Grant Received	1,159,420		56,490				1215910
Establishment Grant Received							0
Transitional Grant Received							0
Free Basic Services Grant Rec							0
IDP Grant Received	285,514	150,000	13,911				449425
Capacity Support Grant Rec	396,435		19,315				415751
Tax Base Relief							0
DPLGA Administration Grant							0
Municipal Capacity Bldg Grant	318,681		15,327				334268
Performance Management Gr	123,853	40,000	6,034				169007
Land Use Management Grant		50,000					50000
Library Grant	85,535					85,535	0
GIS Grant	534,594		26,047		263,711		298929
Pension Fund							0
Finance Management Grant Rec	294,265	250,000	14,337		271,858		286744
Dev Admin CAP Received	100,000		4,872				104872
MAP Received	909,413	250,000	32,687		1,008,231		683869
Inter departmental monitoring		40,000			43,884	(3,884)	0
Local aids council		30,000			750		29250
Spatial dev makasa		700,000					200000
Community Dev Worker		12,000			5,519		6481
MSIG		734,000			148,812		585188
mun val roll/property rates		170,000					170000
MFMA		100,000					100000
Project consolidate		150,000			69,750		80250
GIS DEV/SUPPORT		200,000					200000
	4,482,010	3,026,000	209,895		1,812,516	81,650	5823733
TRUST FUNDS							
Estate Late : P Mthali	215,000						215000
	215,000						215000
PROVISIONS							
Leave Pay	134,932	102878			150,911		86898
	134,932	102,878			150,911		86898
TOTAL	7,933,038	3,368,878	372,682		1,963,428		5629520

Note: Unconditional Grants reflected as long term liabilities in Balance sheet

4,162,855

APPENDIX B
EXTERNAL LOANS AND INTERNAL ADVANCES

EXTERNAL LOANS		Usage Period of Loan	Ropayment Date	Balance 30-06-2005	Received during the year	Redeemed Written off during the year	Balance 30-06-2006
uMsekelisi Municipal Support Services							
SR83	Sewerage Works	10	15	2003	-		-
SR114	Sealing Buxton rd	10	15	2004	14,098		14,098
SR115	Taxi rank improvements	10	20	2009	21,982	945	22,927
SR135	Sewerage Works	10	15	2004	-		-
SR156	Township roads	10	20	2010	18,219	869	19,088
SR157	Sewerage Works	10	15	2005	-		-
SR209	Nyala street	10	20	2011	47,171	2,421	49,542
SR331	Township roads	10	-	-	-		-
SR366	Township roads	10	-	-	-		-
SR381	Library	10	15	2010	285,225	13,608	298,833
SR382	Township roads	10	7	-	152		152
SR383	Partung area	10	10	2005	4,700		4,700
SR441	Roads	10	10	2005	762,702	27,968	790,670
SR446	Koedoe Street	10	10	2009	39,643	1,753	41,396
SR447	Nyala/St Lucia Street	10	10	2009	728,738	32,218	760,956
SR448	Service road	10	10	2004	204,913	9,059	213,972
SR449	Cemetery Wall	10	5	2010	7,518		7,518
SR455	Nyala/St Lucia Street	12.5	10	2010	225,973	13,302	239,275
SR456	Sewerage Works	12.5	10	2010	-		-
SR478	Roads : Park Ross	12.5	8	2009	1,050,792	66,113	1,116,905
SR479	Solid waste	10	10	2011	48,422	2,524	50,946
SR480	Outfall Sewer	10	10	2011	-		-
SR481	Sewer Extension	10	10	2011	-		-
SR210	Water Supply	10	15	2006	-		-
SR266	Water Works	10	15	2004	-		-
SR450	Reservoir	10	5	2004	-		-
SR451	Prepaid Meters	15	10	2009	-		-
SR463	Land Ext 4	10	10	2007	451,432	12,595	464,027
				3,912,630	183,377		4095007.02

INTERNAL ADVANCES TO BORROWING SERV.	Balance 30-06-2005	Received during the year	Redeemed Written off during the year	Balance 30-06-2005
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-

APPENDIX C
ANALYSIS OF FIXED ASSETS
as at 30 June 2006

Expenditure 2005 Service	Budget 2006	Balance as at 01-07-2005	Expenditure 2005/2006	Written off, transferred, redeemed or disposed during the year	Balance as at 30-06-2006
781,011 RATES & GENERAL SERVICES	390,000	15,830,180	167,566	-	15,997,746
434,612 Community Services	340,000	6,163,673	167,566	-	6,331,237
Council Management	340,000	608,157	137,027		745,184
Finance		378,832			378,832
Corporate		248,310			248,310
Technical		4,928,372	30,539		4,958,911
346,399 Subsidized services		9,666,509	-	-	9,666,509
Health		306,054			306,054
Library		9,360,455			9,360,455
Cemetery					
Parks & Recreation					
Economic services	50,000	-	-	-	-
Refuse removal	50,000				
Sewerage					
HOUSING		-	-	-	-
Housing					
TRADING SERVICES		-	-	-	-
Water					
Electricity					
PUBLIC IMPROVEMENT FUND	-	1,231,836	-	-	1,231,836
781,011 TOTAL FIXED ASSETS	390,000	17,062,016	167,566	-	17,229,582
Less: LOANS REDEEMED and other CAPITAL RECEIPTS		13,320,251	167,566	-	13,487,817
Loans redeemed		495,859			495,859
Contributions from current Income		218,271	167,566		385,837
Grants/borrowables		7,840,645			7,840,645
Disposal of assets		3,700			3,700
Asset revaluation surplus		4,761,776			4,761,776
NETT FIXED ASSETS		3,741,765	-	-	3,741,765

APPENDIX D
ANALYSIS OF OPERATING INCOME AND EXPENDITURE
 for the year ended **30 June 2006**

Actual 2005	Actual 2006	Budget 2006
6,108,600.00	7,915,279.74	13,472,450.00
1,174,743.19	1,173,678.47	1,055,000.00
4,625,720.00	6,200,166.00	11,463,900.00
87,295.09	37,730.62	
220,841.00	140,407.99	673,350.00
	107,904.92	
	255,382.04	280,000.00
6,031,350.89	11,122,995.33	13,472,450.00
2,023,039.92	2,920,577.06	3,834,100.00
2,676,200.44	7,974,472.59	7,845,850.00
183,545.19	284,024.95	316,000.00
274,181.77	183,376.94	462,500.00
50,833.58	167,566.00	380,000.00
823,572.98	492,877.79	523,800.00
77,249.19	(3,207,715.59)	

APPENDIX E
DETAILED INCOME STATEMENT
FOR THE YEAR ENDING 30 JUNE 2006

2004/2005 Actual Income	2004/2005 Actual Expenditure	2004/2005 Actual Surplus/deficit		2005/2006 Actual Income	2005/2006 Actual Expenditure	2005/2006 Actual Surplus/deficit	2005/2006 Budget Surplus/deficit
6,108,601	6,031,353	77,248					
5,876,085	5,710,413	165,658	RATES AND GENERAL SERVICES	7,769,645	11,172,995	(3,353,351)	
4,625,720	557,587	(497,587)	Community Services	7,509,477	10,612,785	(3,102,808)	202,550
75,622	2,457,818	2,187,881	Council	521,987	(521,987)		
-	1,416,728	(1,341,157)	Management	6,200,166	7,149,798	(949,632)	(833,200)
-	419,449	(419,449)	Finance	136,133	1,176,057	(1,040,924)	4,163,700
-	406,773	(406,773)	Corporate	-	839,009	(839,009)	(1,106,150)
1,174,743	-	1,174,743	Technical	-	926,935	(926,935)	(1,155,000)
			Assessment rates	1,173,678	-	1,173,678	1,921,300
11,475	136,162	(124,687)	Subsidised services	4,375	157,746	(153,473)	(149,250)
9,603	11,122	(1,522)	Cemetery	3,664	2,250	1,434	(7,600)
2,075	83,247	(81,172)	Library	591	121,316	(120,715)	(262,650)
-	41,793	(41,793)	Parks & Gardens	-	34,183	(34,183)	(19,000)
220,841	124,764	96,027	Economic Services	255,392	347,462	(92,070)	(13,300)
220,841	124,764	96,027	Refuse Removal	255,392	347,462	(92,070)	(13,300)
			Conservancy				
			TRADING SERVICES	145,635		145,635	
			Water	37,731		37,731	
			Sewerage	107,905		107,905	
6,108,601	6,031,353	77,248	TOTAL	7,915,264	11,172,995	(1,257,716)	
			(17,494) Appropriations for the year (refer note 16)			65,905	
			59,754 Net surplus/(Deficit) for the year			(3,137,810)	
			633,636 Surplus/(Deficit) at the beginning of the year			753,552	
			753,552 ACCUMULATED SURPLUS/(DEFICIT) at the end of the year			(2,384,211)	

APPENDIX F
STATISTICAL INFORMATION

GENERAL STATISTICS		2006	2005
Tariffs			
Rates :Land (Cents per square meter)		22.49	21.32
Rates, Buildings (Cents per square meter)		1.43	1.36
Rebates Domestic (on total value)		40%	40%
Rebates Government (On total value)		20%	20%
Refuse Tariffs			
Land Value (cents per square meter)		5.07	4.81
Flat Rate		7.91	7.3
Plus 14% Vat			
Sewerage tariff			
Consumption (cents per kilolitre water)		18.46	
Flat rate (R's)		21	
Water Tariffs			
Lost Tokens (R's)		90	
Meter Rental p/m (R's)		6.51	
Disconnection fee (R's)		320	
Reconnections (R's)		320	
Pre-paid meters new (R's)		1500	
Fines Tampering (R's)		1000	
Deposit (R's)		300	
Installation new Meter		800	
Commercial			
0- 6000k (R's)		0	
6001-30000k (R's)		6.89	
30001-50000k (R's)		8.55	
50001-over (R's)		10.21	
Plus 14% vat			
Residential			
0- 6000k (R's)		0	
6001-30000k (R's)		4.94	
30001-50000k (R's)		7.23	
50001-over (R's)		18.89	
Plus 14% vat			
Library			
Fines per day (cents)		0.5	0.5
Cemetery			
Purchase of site(R's)		700	700
Miscellaneous			
Rates Clearance certificate (R's)		35	30
Photo-copies -per folio (R's)		1	1
Copies of documents-per folio (R's)		1	1
Activity rooms-morning sessions (R's)		100	100
Activity rooms-afternoon sessions (R's)		100	100
Activity rooms-evening sessions (R's)		200	200
Activity rooms-day/night sessions (R's)		500	500
Deposit(R's)		300	300
Office rental(R's)		1800	1800
Parkhome rental		1800	